

Message Text

UNCLASSIFIED

PAGE 01 DACCA 02884 01 OF 02 270030Z

63

ACTION TRSE-00

INFO OCT-01 EA-11 NEA-14 ISO-00 IO-14 L-03 H-03 PA-04

PRS-01 USIA-15 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

AGR-20 DRC-01 /200 W

----- 043029

R 260557Z JUN 74

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 3482

INFO AMEMBASSY NEW DELHI

AMEMBASSY ISLAMABAD

AMEMBASSY MANILA

UNCLAS SECTION 1 OF 2 DACCA 2884/1

MANILA FOR ADB

E.O. 11652: N/A

TAGS : EAID, EFIN, BG

SUBJECT : ANNUAL BDG BUDGET AND DEVELOPMENT PLAN ALLOCATION
FOR FY 75

BEGIN SUMMARY: FINANCE MINISTER TAJUDDIN AHMED
ANNOUNCED FY 75 BUDGET AND ANNUAL PLAN ALLOCATIONS
ON JUNE 19, 1974. FY 74 REVENUE SHORTFALLS, LARGE
EXPENDITURES INCREASE AND OTHER PROBLEMS HAVE CAUSED
MUCH HIGHER THAN PROJECTED LEVEL OF DEFICIT SPENDING
AND CURTAILMENT OF FY 74 PLAN. PROJECTING THESE
DIFFICULTIES TO FY 75 EXPLAINS CURTAILMENT OF SOCIALISTIC
RHETORIC, DEVELOPMENT LEVELS AND INCREASES IN TAXES.
WHILE SERIOUSNESS OF SITUATION APPARENT FROM CLOSE
READING OF BUDGET, NO MENTION IS MADE OF BDG OFFICIALS'
SEARCH FOR OUTSIDE AID, OR NEED FOR MAJOR REFORMS.
THOUGH ADP NOT RELEASED, SECTORAL PRIORITIES REMAIN
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 DACCA 02884 01 OF 02 270030Z

ESSENTIALLY UNCHANGED. END SUMMARY.

1. FINANCE MINISTER, TAJUDDIN AHMED, DELIVERED NATION'S REVENUE BUDGET AND ANNUAL DEVELOPMENT PLAN ALLOCATIONS TO PARLIAMENT ON JUNE 19, 1974. SPEECH WAS DEVOTED TO HIGHLIGHTS OF DOCUMENT WITHOUT MENTION OF BROAD SOCIALISTIC OBJECTIVES, AS IN PAST SPEECHES, OR DETAILING SEVERITY OF PRESENT RESOURCE SHORTFALLS. FY 75 ADP DOCUMENTS YET TO BE RELEASED. BUDGET AND PLAN TOTALS AND ALLOCATIONS ARE AS FOLLOWS:

A. REVENUE BUDGET, IN CRORES (10 MILLION) OF TAKA:

	PROJECTED ADDITIONAL REVENUE INCREASES	
CUSTOMS	145.00	1.50
EXCISE DUTIES	127.55	21.67
INCOME, CORPORATION AND AGRICULTURAL INCOME TAXES	24.25	.10
SALES TAXES	46.00	
NATIONALIZED SECTOR	16.99	
LAND REVENUE	5.50	
STAMP & REGISTRATION	11.80	1.70
POST OFFICE (NET)	2.82	.57
TELEPHONE AND TELEGRAPH (NET)	4.41	
INTEREST RECEIPTS	34.96	
RAILWAY	32.40	3.20
OTHER	24.49	60.40
	-----	-----
TOTAL RECEIPTS	470.23 PLUS	89.14 ISEQUALTO 559.39

B. REVENUE EXPENDITURES (NON-DEVELOPMENTAL):

REVENUE COLLECTION	16.68
CIVIL ADMINISTRATION	114.28
DEFENSE	71.00
EDUCATION	81.48
HEALTH	19.22
CIVIL WORKS	12.97
INTEREST PAYMENTS	24.03
OTHER	79.44
RAILWAY	36.13
UNCLASSIFIED	

UNCLASSIFIED

PAGE 03 DACCA 02884 01 OF 02 270030Z

UNEXPECTED	15.00

TOTAL EXPENDITUJE	470.23

C. REVENUE SURPLUS 89.14

2. COMMENT ON REVENUE BUDGET:

A. EXISTING BUDGET IS DESIGNED TO BE BALANCED. REVENUE SURPLUS CONTRIBUTION TO DEVELOPMENT BUDGET OF TK 89.14 CRORE PREDICATED EXCLUSIVELY UPON SUCCESSFUL TAX INCREASES. SUCH INCREASES IN FY 74 WERE TO BE TK 37 CRORE; NET COLLECTION, HOWEVER, SLIPPED TK 64 CRORE BELOW TOTAL TARGET. IMPORT DUTIES TO BE RAISED ONLY marginally. HOWEVER, NEW IMPORT- LICENSE TAX OF 20 PERCENT OF VALUE, INCLUDED UNDER "OTHER" REVENUES ABOVE, IS PROJECTED TO RAISE TK 51 CRORE OF TOTAL INCREASE OF TK89 CRORE. EXCISE CONTINUES AS NEXT LARGEST SOURCE OF REVENUE (TK 87 CRORE FROM MANUFACTURED TOBACCO). ADDITIONAL EXCISE ADDED ON SUGAR (TK 10 CRORE), CEMENT, NATURAL GAS, TEA, MOTOR VEHICLES, ETC. EVEN POSTCARDS BURDENED WITH NEW TAX. THOUGH TAJUDDIN ASSERTED THAT ADDITIONAL TAXATION DESIGNED SO THAT "INCIDENCE ON COMMON MAN IS THE LEAST", IT IS CLEAR TAXES ARE REGRESSIVE. NO SIGNIFICANT ATTEMPT TO TAX AGRICULTURAL INCOME WHICH ON PART OF LARGER FARMERS HAS SOARED THIS YEAR. WHEN QUESTIONED ABOUT "BLACK MONEY" EARNED BY OTHER ELEMENTS SUPPORTIVE OF CURRENT REGIME, TAJUDDIN REPLIED THAT CHANNELLING IT INOT LEGAL INVESTMENT WOULD IN EFFECT LEGALIZE ITS ORIGINS; THEREFORE BDG "SOUGHT COOPERATION OF ALL FOR STOPPING SOURCES OF BLACK MONEY".

B. REVENUE EXPENDITURES FOR FY 75, RAISED TO TK 470.23 CRORE, REFLECT INFLATION. TOTAL FOR FY 74 HAD ORIGINALLY BEEN TK 295 CRORE, INCREASED TO TK 364 CRORE BY YEAR END. EDUCATION CONTINUES AS FOREMOST SINGLE ITEM IN FY 75 FOLLOWED BY DEFENSE (AT 15 PERCENT OF REVENUE BUDGET). BIG NEW ITEM IS "OTHER" WHICH THIS YEAR REVEALED TO INCLUDE TK 39.40 CRORE FOR FOODGRAIN SUBSIDIES. LATTER TO TOTAL TK 60.00 CRORE, WITH REMAINING AMOUNT TO COME FROM SURPLUS OF NON-DEVELOPMENT CAPITAL ACCOUNT (REPAY- UNCLASSIFIED

UNCLASSIFIED

PAGE 04 DACCA 02884 01 OF 02 270030Z

MENT OF PRINCIPAL BY PUBLIC-SECTOR CORPORATIONS, SALE OF SAVINGS CERTIFICATES AND PRIZE BONDS, ETC.).

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 DACCA 02884 02 OF 02 270348Z

11

ACTION TRSE-00

INFO OCT-01 EA-11 NEA-14 ISO-00 IO-14 L-03 H-03 PA-04

PRS-01 USIA-15 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

AGR-20 DRC-01 /200 W

----- 044774

R 260557Z JUN 74 ZDK

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 3483

INFO AMEMBASSY NEW DELHI

AMEMBASSY ISLAMABAD

AMEMBASSY MANILA

UNCLAS SECTION 2 OF 2 DACCA 2884/2

C. FOOD SUBSIDIES HAD NOT BEEN DISCLOSED IN FY 74 BUDGET BUT REVEALED IN RECENT BUDGET SPEECH TO HAVE AMOUNTED TO TK 96.26 CRORE. THIS WIPE OUT ALL EXPECTED REVENUE SURPLUS TO BE PASSED TO DEVELOPMENT ACCOUNT. SUBSIDY FINANCED BY CURTAILMENT OF DEVELOPMENT EXPENDITURES AND DEFICIT FINANCING. LATTER IN FY 74 WAS TO HAVE BEEN TK 18.60 CRORE, IS CITED IN BUDGET DOCUMENT AS REVISED TO TK 83.01 CRORE, BUT WITH FOOD SUBSIDY ADDED ON AMOUNTS TO TOTAL OF TK 179.27 CRORE. REDUCTION OF FOOD SUBSIDY IN FY 75 TO PROJECTED TK 60.00 CRORE AND INCLUSION OF THIS ITEM IN BUDGET MAY LEAD TO SOME POSSIBILITY OF PRESERVING EXPECTED REVENUE SURPLUS TK 89.14 CRORE.

3. DEVELOPMENT EXPENDITURES, IN CRORE TAKA:

	ORIGINAL FY 74	REVISED FY 74	PROJECTED FY 75
AGRICULTURE	88.6	57.6	63.0

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 DACCA 02884 02 OF 02 270348Z

RURAL INSTITUTION	38.0	30.6	28.5
WATER AND FLOOD CONTRAL	33.4	69.7	80.0
INDUSTRIES	79.0	52.5	71.0
POWER, ETC.	63.6	53.7	71.5
TRANSPORTATION	104.2	96.5	80.0
COMMUNICATIONS	INCL. ABOVE	13.1	17.0
PHYSICAL PLANNING,	27.0	23.4	34.0

HOUSING

EDUCATION AND TRAINING	37.8	30.7	33.0
HEALTH	28.0	20.7	21.0
SOCIAL WELFARE	4.6	2.1	2.0
MANPOWER AND EMPLOY- INCL. ABOVE	.3	1.5	
MENT			
POPULATION PLANNING	7.0	5.0	8.5
CYCLONE RECONSTRUCTION	----	-----	-----
TOTAL	511.4	463.8	525.0

FURTHER DETAILS WILL HAVE TO AWAIT RELEASE OF ANNUAL PLAN.

4. COMMENT A) FINANCE MINISTER EMPHASIZED THAT DEVELOPMENT TARGETS MUST BE ACHIEVED OR ELSE "FOREIGN AND INTERNATIONAL AGENCIES MIGHT NOT BE INCLINED TO EXTEND AID AS THERE WAS LACK OF EFFORT ON OUR PART." THOUGH TK 525 CRORE ALLOCATION REPRESENTS 13 PERCENT INCREASE OVER REVISED FY 74 PLAN, TAJUDDIN ADMITED REAL PLAN INVESTMENT FY 75 WILL NOT BE INCREASED OVER FY 74. IN FACT TAJUDDIN WENT ON TO EXPLAIN FY 74 EXPENDITURES WILL BE IN RANGE OF TK 400 CRORE, NOT REVISED TK 464 CRORE BECAUSE OF RESOURCE CONSTRAINTS AND PERFORMANCE SHORTFALL. B) ONLY MINOR SHIFTS IN DEVELOPMENT EXPENDITURES FOR FY 75 OCCUR AMONG BROAD PUBLIC INVESTMENT SECTORS OF AGRICULTURE, INDUSTRY, AND PUBLIC GOODS AND SERVICES. DEVELOPMENT ALLOCATIONS TO AGRICULTURE, RURAL INSTITUTIONS, AND WATER AND FLOOD CONTROL INCREASED 14 PERCENT, AND REPRESENT 33 PERCENT OF TOTAL PLAN, SAME PROPORTION AS LAST YEAR. DEVELOPMENT BUDGET TO BE FINANCED BY REVENUE SURPLUS TK 99.14 CRORE, PROJECTED DEFICIT FINANCING OF TK 31.86 CRORE, AND PROJECTED AID DISBURSEMENTS OF TK 394.00 FOR TOTAL OF TK 525.00.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 DACCA 02884 02 OF 02 270348Z

5. FOREIGN ASSISTANCE - PERCENTAGE OF FOREIGN ASSISTANCE IN FY 74 DEVELOPMENT BUDGET INCREASED FROM PROJECTED 60 PERCENT LEVEL TO 75 PERCENT LEVEL AND IS ESTIMATED TO BE 75 PERCENT IN FY 75 DEVELOPMENT BUDGET. THIS INCREASED PROPORTIONAL CONTRIBUTION TO FY 74 DEVELOPMENT BUDGET OCCURS DESPITE AID DISBURSEMENT SHORTFALL FOR FY 74 OF TK 54 CRORE, FROM PROJECTED TK 352 VRORE TO AN ACTUAL LEVEL OF TK 298 VRORE. THIS IN ESSENCE INDICATES THAT BDG TAKA DEVELOPMENT ALLOCATIONS WERE CURTAILED MORE SHARPLY THAN FOREIGN AID SHORTFALLS. FY 75 PROJECTED ASSISTANCE OF TK 394 CRORE IS TO BE COMPOSED OF TK 276 CRORE IN LOANS AND TK 118 CRORE IN GRANTS. FY 74 AID HAD FOLLOWING COMPOSITION: GRANT CONTRIBUTIONS WERE TK 52

CRORE FROM U.S., 2980 CRORE FROM CANADIAN, 14 CRORE FROM EEC, 8 CRORE FROM SWEDEN, AND 6 CRORE FROM AUSTRALIA, NO GRANTS RECEIVED FROM SOVIET UNION OR JAPAN. LOANS FROM IDA TOTALLED TK 45 CRORE; U.S. 42 CRORE; SOVIET UNION 35 CRORE; WEST GERMANY 18 CRORE; JAPAN 12 CRORE: CANADA 7 CRORE; AND INDIA 8 CRORE IN THE FORM OF SUPPLIERS CREDITS. TOTAL U.S. CONTRIBUTION APPROXIMATED 31 PERCENT OF TOTAL AID DISBURSEMENTS.

6. SUMMARY COMENT - IT IS OF INTEREST THAT BUDGET AND SPEECH MAKE NO SPECIFIC NOTE OF PRESENT BDG RESOURCE DIFFICULTIES AND THE GLOBE TROTTING OF ITS HIGH OFFICIALS IN SEARCH FOR NEW AID AND CASH COMMITMENTS. (WE UNDERSTAND THAT TOTAL AID PIPELINE IS \$650-750 MILLION AND IS INCREASING.) SPEECH IS ALSO NOTABLE FOR ITS RELATIVE LACK OF SOCIALISTIC RHETORIC AND PHYSICAL TARGETS. SUBSIDIES FOR MANY CONSUMER ITEMS, NATIONALIZED INDUSTRIES, AND EXPORTS ARE SIGNAL BDG IS NOT MOVING TOWARDS MORE RATIONAL ECONOMIC ORDER. IT APPEARS FOREIGN AID IS LOOKED UPON AS WAY TO MAINTAIN PRESENT ORDER DESPITE GROWING AWARENESS ON PART DONORS AND PRIVATE CIRCLES THAT STOP-GAP MEASURES ARE NOT ADEQUATE.
BOSTER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET, DEVELOPMENT PROGRAMS, GRAINS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974DACCA02884
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740169-0448
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740613/aaaaaksl.tel
Line Count: 301
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: martinjw
Review Comment: n/a
Review Content Flags:
Review Date: 21 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 AUG 2002 by PhilliRO>; APPROVED <13 JAN 2003 by martinjw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: : ANNUAL BDG BUDGET AND DEVELOPMENT PLAN ALLOCATION FOR FY 75
TAGS: EAID, EFIN, BG, (TAJUDDIN, AHMED)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005